

PUBLIC DISCLOSURE

NOVEMBER 29, 2000

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

WINCHESTER SAVINGS BANK

661 MAIN STREET
WINCHESTER, MA 01890

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
--

TABLE OF CONTENTS

- I. General Information
- II. Institution Rating
 - a. Overall Rating
 - b. Lending, Service, and Investment Test Table
 - c. Discussion of Findings
- III. Appendix
 - a. Scope of Examination

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **WINCHESTER SAVINGS BANK** prepared by the Massachusetts Division of Banks, the institution's supervisory agency, as of **NOVEMBER 29, 2000**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

Winchester Savings Bank was evaluated under the Large Institution CRA Examination Procedures published by the Federal Financial Institutions Examination Council. The Large Institution Procedures focus on three areas of performance including Lending, Investment and Services. The following summarizes the efforts made by the Board of Trustees, Management, and bank staff to meet the bank's CRA responsibilities.

Winchester Savings Bank's Lending efforts were rated under seven major performance criteria: Lending Activity, Geographic Distribution, Borrower Characteristics, Community Development Lending, Innovative or Flexible Lending Practices, Loss of Affordable Housing, and Fair Lending.

The volume of mortgage lending within the bank's assessment area is considered reasonable. In 1999 and year-to-date 2000 (through November 27, 2000), Winchester Savings Bank originated 497 mortgage loans, 336 or 67.6 percent of which were originated within the bank's assessment area.

The institution has no qualified community development loans at this time. The institution's innovative and flexible lending practices address the credit needs of low and moderate-income individuals in the assessment area. In addition, the bank's fair lending performance was found to be satisfactory at this time. Therefore, the institution's overall Lending Test receives a rating of satisfactory.

Winchester Savings Bank's performance with respect to the Investment Test was considered satisfactory. The bank had an adequate level of community development investments. However, the level of donations made to organizations that serve low and moderate-income individuals reflects a less than acceptable responsiveness to the needs of community organizations.

Under the Service Test, the institution's retail banking services were evaluated and considered satisfactory. The bank's products and alternative banking services are tailored to the convenience and needs of its assessment area. The institution was found to have a limited number of qualified community development services, however.

LENDING, INVESTMENT, AND SERVICE TEST TABLE

PERFORMANCE TESTS Winchester Savings Bank			
Performance Levels	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory			
Satisfactory	X	X	X
Needs to Improve			
Substantial Non-Compliance			

*Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

PERFORMANCE CONTEXT

Description of Institution

Winchester Savings Bank is a state-chartered institution, incorporated under the laws of the Commonwealth of Massachusetts in 1871. The bank's main office is located at 661 Main Street, Winchester, Massachusetts. The bank has two other full service branches located in Winchester and Woburn. There is also a limited service branch located at Winchester High School. Automated Teller Machines (ATMs) are maintained at all branch offices. In addition, there is a free standing ATM machine located at Winchester Hospital. The bank's ATMs are linked to the NYCE, CIRRUS and SUM networks.

A variety of loan products including residential mortgages, home improvement loans, home equity lines of credit, construction loans, automobile loans, secured and unsecured personal loans and education loans are offered at Winchester Savings Bank.

As of September 30, 2000, Winchester Savings Bank had total assets of \$310,087,000. Gross loans totaled \$219,889,000, representing approximately 70.9 percent of total assets. Refer to the following table for a complete breakdown of the bank's loan portfolio.

LOAN TYPE	AMOUNT \$(000)	PERCENT
One-to-Four-Family Residential Mortgages	149,173	67.8
Nonfarm Nonresidential	27,755	12.6
Loans to Individuals	15,573	7.1
Home Equity	14,159	6.5
Multifamily (five or more) Residential	8,190	3.7
Commercial Loans	2,809	1.3
Construction and Land Development	2,230	1.0
GROSS LOANS	219,889	100.0

Source: September 30, 2000 Call Report

As shown by the data in the table above, residential real estate is the bank's primary form of credit activity. Loans secured by one-to-four family residential mortgages account for approximately 67.8 percent of all outstanding credit. Nonfarm nonresidential loans are next with 12.6 percent, followed by loans to individuals at 7.1 percent.

The most recent Community Reinvestment Act (CRA) evaluation, performed by the FDIC as of January 18, 2000 assigned a rating of "Satisfactory". The previous evaluation performed by the Commonwealth of Massachusetts as of March 30, 1998 also assigned a rating of "Satisfactory".

Description of Assessment Area

Winchester Savings Bank defines its assessment area as the towns of Winchester, Arlington, Lexington, Reading and Stoneham and the Cities of Medford, Melrose and Woburn. The assessment area is comprised of 47 census tracts. Of these census tracts, 2 or 4.3 percent are designated as moderate-income, 29 or 61.7 percent as middle-income and 16 or 34.0 percent as upper-income. There are no low-income census tracts within the assessment area. The two moderate-income census tracts are located in Medford and Arlington.

According to 1990 US Census data, the assessment area has a total population of 260,360 individuals. The 1990 Median Family Household Income for the Boston MSA was \$48,688. There are 102,967 housing units within the assessment area, of which 63.3 percent are owner occupied, 33.3 percent are rental and 3.4 percent are vacant. The median home value of the assessment area is \$207,787 based on 1990 data.

Competition for mortgage originations within the assessment area is strong. The most recent available data indicates that 423 financial entities originated HMDA reportable loans in calendar year 1999. A total of 12,892 originations/purchases were made by these lenders in calendar year 1999. In 1999, the top five mortgage lenders within the bank's assessment area were: (1) Countrywide Home Loans (2) North American Mortgage Company; (3) Fleet National Bank; (4) Bank of America, N.A.; and (5) Assurance Mortgage. These top five lenders held a 16.0 percent market share for all mortgage loan originations reported under the Home Mortgage Disclosure Act (HMDA). This institution captured 1.6 percent of the market and ranked 12th for the same time period.

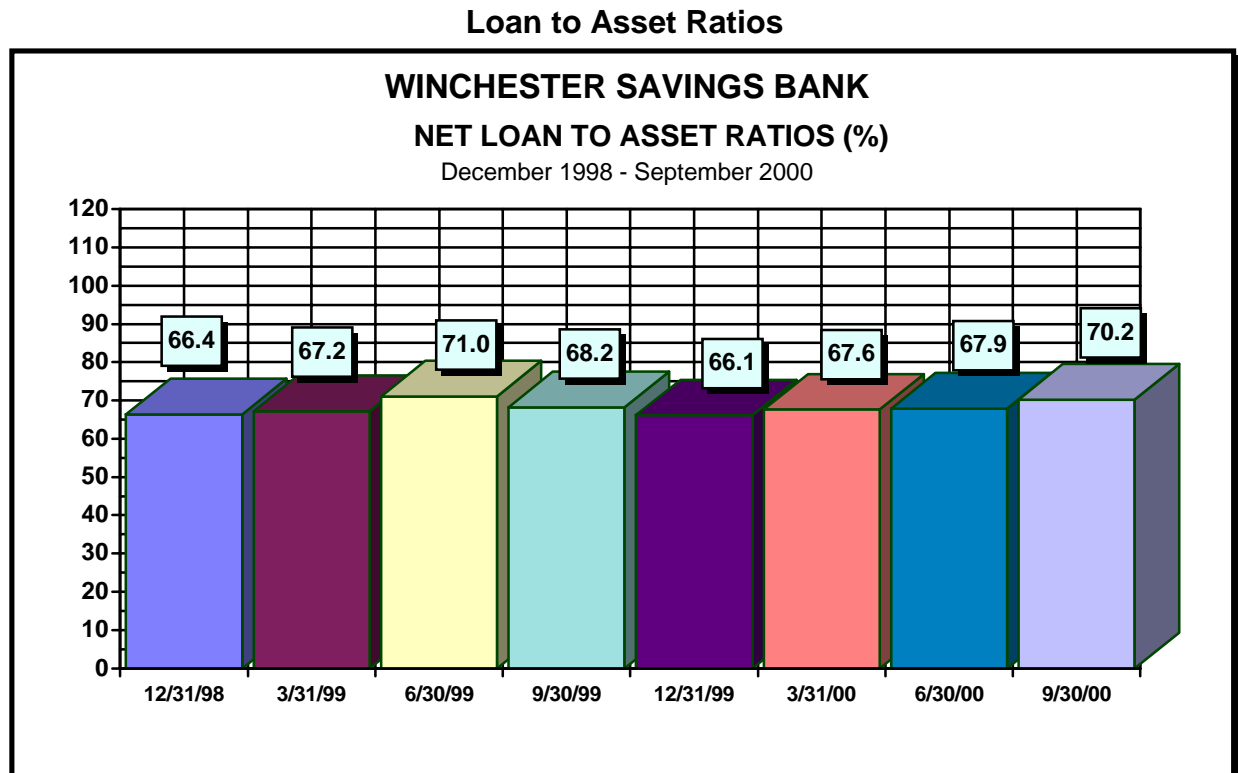
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

LENDING TEST

The lending test evaluates a bank's record of helping to meet the credit needs of its assessment area through its lending activities by considering a bank's home mortgage, small business, small farm and community development lending. The bank's lending performance is determined by factors such as the volume of the institution's loans within its assessment area, particularly to low and moderate-income borrowers and geographies; the amount of small business loans originated to businesses with annual revenues less than \$1 million; the institution's responsiveness to community development lending; and the use of innovative and flexible lending practices. The following information details the data compiled and reviewed, as well as conclusions on the bank's performance.

I. Lending Activity

Winchester Savings Bank had total assets of \$310,087,000 as of September 30, 2000. Net loans totaled \$217,582,000 or 70.2 percent of total assets. As stated previously, lending on one-to-four family residential mortgages remains the primary focus of the institution. The following represents the loan to asset ratios over the period December 1998 through September 2000.



Source: Quarterly Call Report Data

As shown above, loan to asset ratios have fluctuated slightly over the past eight quarters from 66.1 percent to 71.0 percent. The average net loan to asset ratio for the eight quarter period is 68.1 percent. During this period, total assets increased from \$284,252,000 to \$310,087,000, which represents a 9.1 percent growth in assets over the past two years. Within the same period, total net loans increased from \$188,824,000 to \$217,582,000, representing a 15.2 percent growth in loan growth.

II. Geographic Distribution

HMDA-Reportable Lending

Winchester Savings Bank's 1999 and year-to-date 2000 (through November 27, 2000) Loan Application Registers (LARs) were reviewed to determine the amount of credit extended within the bank's assessment area. During this period, the bank originated 497 HMDA-reportable loans totaling approximately \$88,593,000. Of this amount, 336 loans, or 67.6 percent of the number, totaling \$55,990,000, and 63.2 percent of the total dollar amount, were originated within the bank's assessment area.

By number, the Town of Winchester accounted for the largest number of originations with 30.6 percent, followed by Woburn with 11.3 percent and Melrose with 9.5 percent. Winchester also accounted for the largest dollar volume of originations with 32.4 percent, followed by Melrose with 11.7 percent and Woburn with 6.6 percent.

Refer to the following tables for additional information regarding the bank's HMDA-reportable lending, by both number and dollar amount.

HMDA-Reportable Loans by Number of Originations						
Location	1999		2000-YTD		Totals	
	#	%	#	%	#	%
Inside Assessment Area	207	67.9	129	67.2	336	67.6
Outside Assessment Area	98	32.1	63	32.8	161	32.4
Total	305	100.0	192	100.0	497	100.0

Source: HMDA/LAR Data for the period 1/1/99 to 11/27/00

HMDA-Reportable Loans by Dollar Amount of Originations						
Location	1999		2000-YTD		Totals	
	\$ (000)	%	\$ (000)	%	\$(000)	%
Inside Assessment Area	34,552	62.8	21,438	63.8	55,990	63.2
Outside Assessment Area	20,440	37.2	12,163	36.2	32,603	36.8
Total	54,992	100.0	33,601	100.0	88,593	100.0

Source: HMDA/LAR Data for the period 1/1/99 to 11/27/00

As indicated in the above tables, the majority (67.6 percent by number and 63.2 percent by dollar amount) of loans in 1999 and 2000, were originated inside the bank's assessment area.

Based on aggregate HMDA data for 1999, Winchester Savings Bank ranked 12th in overall market share among all HMDA-reportable lenders within its assessment area capturing 1.6 percent of the market. There were 423 HMDA-reportable mortgage lenders active within the assessment area in 1999.

Small Business Lending

Winchester Savings Bank's 1999 and year-to-date 2000 (through November 20, 2000) Small Business Loan Registers (SBLRs) were also reviewed to determine the amount of credit extended within the assessment area. The bank originated 57 small business

loans totaling approximately \$10,564,000 during this period. A total of 41 loans totaling \$7,417,000 were originated to businesses within the bank's assessment area, representing 71.9 percent by number and 70.2 percent by dollar amount. The vast majority of loan originations were located in Winchester.

Small Business Loans by Number of Originations

Location	1999		2000-YTD		Totals	
	#	%	#	%	#	%
Inside Assessment Area	16	80.0	25	67.6	41	71.9
Outside Assessment Area	4	20.0	12	32.4	16	28.1
Total	20	100.0	37	100.0	57	100.0

Source: Small Business Loan Registers for the period 1/1/99 to 11/20/00

Based on the above analysis, it is evident that the bank originated the majority of its loans to borrowers within the assessment area. Therefore, the overall percentage of lending inside the assessment area, for both residential and small business loans is considered to be adequate.

Distributions by Census Tract Income Level

HMDA-Reportable Lending

The HMDA-reportable loans located within the bank's assessment area were further analyzed to determine their location by census tract income level. The assessment area is comprised of 47 census tracts: 2 or 4.3 percent are designated as moderate-income; 29 or 61.7 percent as middle-income; and 16 or 34.0 percent as upper-income. There are no low-income census tracts within the assessment area.

The following tables provide a breakdown of the bank's HMDA-reportable loans within its assessment area according to census tract income level. The tables also show loans in comparison to the number of owner-occupied housing units in each of the census tract income categories.

Distribution of HMDA-Reportable Loans by Census Tract Income Level

Census Tract Income Level	Owner-Occupied Properties		1999		2000-YTD		Total	
	#	%	#	%	#	%	#	%
Moderate	1,930	3.0	2	1.0	0	0.0	2	0.6
Middle	39,945	61.3	87	42.0	66	51.2	153	45.5
Upper	23,297	35.7	118	57.0	63	48.8	181	53.9
Total	65,172	100.0	207	100.0	129	100.0	336	100.0

Source: HMDA/LAR Data for the period 1/1/99 to 11/27/00

Dollar Volume of HMDA-Reportable Loans by Census Tract Income Level

Census Tract Income Level	Owner-Occupied Properties		1999		2000-YTD		Total	
	#	%	\$ (000)	%	\$ (000)	%	\$ (000)	%
Moderate	1,930	3.0	304	0.9	0	0.0	304	0.5
Middle	39,945	61.3	12,514	36.2	9,372	43.7	21,886	39.1
Upper	23,297	35.7	21,734	62.9	12,066	56.3	33,800	60.4
Total	65,172	100.0	34,552	100.0	21,438	100.0	55,990	100.0

Source: HMDA/LAR Data for the period 1/1/99 to 11/27/00

As shown in the above tables, 0.6 percent of the bank's loans for 1999 and 2000 were within moderate-income census tracts, which is below the 3.0 percent of owner-occupied housing units within moderate-income tracts. However, the low percentage of owner-occupied properties within the moderate-income census tracts as well as the competitive market in which the institution operates greatly impact lending opportunities in these geographies

The geographic distribution of the bank's loans by census tract category may also be compared to that of all other HMDA-reportable lenders in the assessment area. Other HMDA-reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis relates to calendar year 1999 and is presented in the following table.

**Lending Within the Assessment Area by Census Tract Income Level
Winchester Savings Bank Compared to All Other HMDA Reporters**

Census Tract Income Level	Number of Loans				Dollar Amount of Loans			
	Winchester Savings Bank		All Other Reporters		Winchester Savings Bank		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
Moderate	2	1.0	347	2.8	304	0.9	53,291	2.4
Middle	87	42.0	7,818	61.6	12,514	36.2	1,152,667	51.8
Upper	118	57.0	4,520	35.6	21,734	62.9	1,020,321	45.8
Total	207	100.0	12,685	100.0	34,552	100.0	2,226,279	100.0

Source: HMDA/LAR Data for the period 1/1/99 to 12/31/99.

As demonstrated above, the percentage of the bank's lending activity in moderate-income census tracts, by number and dollar, falls below that of the aggregate. The percentage of Winchester Savings Bank's lending activity in moderate-income census tracts was 1.0 percent by number and 0.9 percent by dollar amount. In comparison, the aggregate originated 2.8 percent by number and 2.4 percent by dollar amount in moderate-income census tracts. It should be noted that the two moderate-income census tracts located in Medford and Arlington have owner-occupancy rates of 42.0 percent and 40.0, respectively. The bank also has no branch offices in either Medford or Arlington.

Small Business Lending

Winchester Savings Bank's small business loans were also analyzed to determine the distribution by census tract income level within its assessment area. The following table depicts this distribution by number. There were no loans originated within the bank's two moderate-income census tracts where the bank has no branch offices.

Distribution of Small Business Loans by Census Tract Income Level

Census Tract Income Level	1999		2000-YTD		Total	
	#	%	#	%	#	%
Middle	9	56.2	18	72.0	27	65.9
Upper	7	43.8	7	28.0	14	34.1
Total	16	100.0	25	100.0	41	100.0

Source: Small Business Loan Registers for the period 1/1/99 to 11/20/00

As shown above by number, the majority of the loans were extended to businesses in middle-income census tracts.

Based on the above information, the bank's distribution of HMDA reportable and small business loans by census tract income level reflects an adequate dispersion of loans throughout the assessment area.

III. Borrower Characteristics

The bank's residential loans were further analyzed to determine the distribution of lending by borrower income level. The borrowers' reported incomes were compared to the median family income for the Boston Metropolitan Statistical Area (MSA). These income figures are \$62,700 for 1999 and \$65,500 for 2000, based on estimated Department of Housing and Urban Development (HUD) information.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income. The following table shows the number of HMDA-reportable loans to low, moderate, middle and upper-income borrowers in comparison to the number of family households in the assessment area in each respective income group.

Distribution of HMDA-Reportable Loans to Borrowers of Different Income Levels

Borrower Income Level	Family Households		1999		2000-YTD		Total	
	#	%	#	%	#	%	#	%
< 50%	9,321	13.6	10	4.8	7	5.4	17	5.1
50 - 79%	11,129	16.3	22	10.6	8	6.2	30	8.9
80 - 119%	16,800	24.5	47	22.7	21	16.3	68	20.2
> = 120%	31,238	45.6	126	60.9	90	69.8	216	64.3
NA	0	0.0	2	1.0	3	2.3	5	1.5
Total	68,488	100.0	207	100.0	129	100.0	336	100.0

Source: HMDA/LAR Data for the period 1/1/99 to 11/27/00

Dollar Volume of HMDA Loans to Borrowers of Different Income Levels

Borrower Income Level	Family Households		1999		2000-YTD		Total	
	#	%	\$ (000)	%	\$ (000)	%	\$ (000)	%
< 50%	9,321	13.6	509	1.5	552	2.6	1,061	1.9
50 - 79%	11,129	16.3	1,708	4.9	404	1.9	2,112	3.8
80 - 119%	16,800	24.5	5,517	16.0	2,910	13.5	8,427	15.0
> = 120%	31,238	45.6	25,388	73.5	17,168	80.1	42,556	76.0
NA	0	0.0	1,430	4.1	404	1.9	1,834	3.3
Total	68,488	100.0	34,552	100.0	21,438	100.0	55,990	100.0

Source: HMDA/LAR Data for the period 1/1/99 to 11/27/00

In 1999 and year-to-date 2000, the bank extended 17 loans to low-income borrowers representing 5.1 percent of the total loans and 1.9 percent of the dollar amount. These

percentages fall well below the 13.6 percent of low-income families within the assessment area. However, mitigating factors such as the 5.5 percent of family households living below the poverty level in combination with increased cost of

residential real estate, make homeownership a difficult goal for many individuals to achieve.

Further, the bank extended 30 loans to moderate-income borrowers, representing 8.9 percent by number and 3.8 percent by dollar amount. The number of loans extended to these individuals also falls well below the 16.3 percent of the moderate-income families within the assessment area. Loans to middle-income borrowers represented 20.2 percent of all originations and purchases, while the vast majority of loans were made to upper-income borrowers at 64.3 percent.

The distribution of the bank's loans among various borrower income levels may also be compared to that of all other HMDA-reportable lenders in the assessment area. As previously mentioned, other HMDA-reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis relates to calendar year 1999 and is presented in the following table.

Lending to Borrowers of Different Income Levels
Winchester Savings Bank Compared to All Other HMDA-Reporters

Borrower Income Level	Number of Loans				Dollar Amount of Loans			
	Winchester Savings Bank		All Other Reporters		Winchester Savings Bank		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
< 50%	10	4.8	483	3.8	509	1.5	45,910	2.1
50 - 79%	22	10.6	1,568	12.4	1,708	4.9	178,686	8.0
80 - 119%	47	22.7	2,922	23.0	5,517	16.0	419,507	18.8
> = 120%	126	60.9	5,471	43.1	25,388	73.5	1,130,472	50.8
NA	2	1.0	2,241	17.7	1,430	4.1	451,704	20.3
Total	207	100.0	12,685	100.0	34,552	100.0	2,226,279	100.0

Source: HMDA Data for the period 1/1/99 to 12/31/99.

The distribution of the bank's residential loans to low and moderate-income borrowers is proportionate to that of all other HMDA-reporters within the assessment area. As shown above, the bank's performance in lending to low-income borrowers exceeds the aggregate by number. Conversely, the bank's percentage of lending to moderate-income borrowers (10.6%) falls somewhat below the aggregate at 12.4 percent. Loans to middle-income borrowers are comparable, while loans to upper-income borrowers surpass the aggregate by a substantial margin at 60.9 percent versus 43.1 percent.

Small Business Lending

The small business loans originated within the bank's assessment area from 1999 through year-to-date 2000 were further analyzed to determine the typical loan amount at origination. The majority, 58.5 percent by number, of the loans originated in the bank's assessment area during this period had original loan amounts of \$100,000 or less, an indication of the bank's willingness to make loans of small dollar amount to small businesses.

The distribution of loans to businesses of various revenue sizes was also analyzed. By number, 70.7 percent of the loans went to businesses with annual revenues less than or equal to \$1 million and 19.5 percent by number went to businesses with annual revenues greater than \$1 million. In addition, there were 4 loans (9.8%) on the bank's Small Business LAR, which listed N/A for revenue levels.

As demonstrated above, the bank's lending to borrowers of different income levels including low and moderate-income individuals and businesses of different sizes reflects an adequate performance.

IV. Community Development Lending

As defined in the revised CRA regulation, a community development loan has as its primary purpose: affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, or activities that revitalize or stabilize low and moderate-income geographies. In addition, unless it is for a multifamily dwelling (five or more units), the loan must not be reportable as a home mortgage or small business loan.

The bank has no qualified community development loans at this time.

V. Innovative or Flexible Lending Practices

First Time Home Buyer Program: This program offers an extended repayment term of 35 years. Income ratios for a First Time Home Buyer loan with at least a 10 percent downpayment are 33/38 as opposed to the bank's standard 28/36 ratios. In addition, this program also does not require the borrower to pay the \$250 appraisal fee nor the \$48 credit fee. In 1999, the bank originated 35 loans totaling \$7,272,485. Year-to-date 2000, the bank originated 66 loans totaling \$15,060,654.

Soft Second Home Loan Program: The bank works in conjunction with the Massachusetts Department of Housing and Community Development, the Massachusetts Housing Partnership Fund, and the Massachusetts Bankers Association in support of the Soft Second Program. This program combines a conventional first mortgage with a subsidized second mortgage to help low and moderate-income households qualify to purchase homes. Under the program, the bank offers the standard 30-year fixed rate

note with no points and no closing costs. In 1999, the bank originated 1 loan totaling \$19,000. There were no loans originated for year-to-date 2000 under this program.

Reverse Equity Mortgage Loan Program: The bank offers reverse mortgages through the Homeownership Options for Massachusetts Elders (H.O.M.E.) program. These loans give low and moderate-income elderly borrowers the ability to stay in their homes by providing them with monthly payments for a fixed length of time based on the equity in the home. In 1999, the bank originated 1 loan totaling \$190,053. There were no loans originated for year-to-date 2000.

VI. Fair Lending Policies and Practices

Winchester Savings Bank has established a Policy Statement on Discrimination in Lending that is incorporated into the bank's lending policy. It is the bank's policy to detect and eliminate discrimination in lending. Detailed below is the bank's fair lending performance as it relates to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Fair Lending Policy.

STAFF TRAINING

In February 1999, Winchester Savings Bank conducted a Fair Lending training class which covered topics such as overt discrimination, disparate treatment and disparate impact. A video entitled "Fair Lending Compliance: Understanding Equal Treatment" was shown during the session, which was attended by employees from the residential, commercial and consumer lending departments and two branch managers.

In December 1999, the bank conducted a second Fair Lending training class. An overview of Fair Lending, the Fair Housing Act and Equal Credit Opportunity was covered at this class. A video entitled "True Colors" was also shown. Participants involved in the training were all lending personnel, bank officers and branch managers.

STAFF COMPOSITION AND COMPENSATION

The bank has a staff of 66 full-time and 17 part-time employees. There are 8 minority employees. The bank also has bilingual employees who speak languages including Arabic, Italian, Spanish, Marathi, Hindi, Portuguese, Tamil and Sinhala.

The bank has one loan originator who receives a salary plus commission. The loan originator also receives an incentive for the production of First Time Home Buyer Program mortgage loans.

OUTREACH

Outreach activities are further discussed under the Service Test.

CREDIT PRODUCTS AND UNDERWRITING STANDARDS

Credit products and underwriting standards are more fully discussed under the Lending Test – Flexible and Innovative Lending.

MARKETING

The bank utilizes newspapers, local cable, radio, statement inserts and direct mail to advertise its credit products and services. Newspapers utilized include the Winchester Star, the Daily Times, the Medford Transcript, the Suburban Real Estate News, the Boston Sunday Globe (Northwest Weekly Section), the Arlington Advocate, the Stoneham Independent, the Lexington Minuteman, the Burlington Union, and the Belmont Citizen.

CREDIT EDUCATION

The bank conducted two homebuyer seminars in March 1999 and March 2000 with 28 and 27 attendants respectively.

COUNSELING

Winchester Savings Bank currently refers delinquent borrowers to credit counseling services, including Consumer Credit Counseling Services of Eastern Massachusetts. The bank also belongs to the Massachusetts Bankers Association Foreclosure Prevention Program, which allows the bank to refer borrowers to the National Consumer Law Center (NCLC) for counseling.

SECOND REVIEW PRACTICES

Winchester Savings Bank performs a second review on all denied loan applications before an adverse action notice is sent to the applicant. All residential loans are reviewed by the President or the Loan Review Committee. All consumer loans are reviewed by the President, the Consumer Loan Manager, Assistant Treasurer/Collection Manager, the Commercial Lending Officer, or the Loan Review Committee.

INTERNAL CONTROL PROCEDURES

The production of mortgage loans within the bank's assessment area is reviewed quarterly by the bank's CRA Committee. This committee is made up of the President, the Chairman

of the Board of Trustees, the Senior Loan Officer, the Residential Loan Officer, the Vice President of Administrative Services and two members of the bank's Board of Trustees.

The bank performs an annual review of the reports prepared by BankMaps, Inc. This review includes an examination of the bank's performance in lending to minority borrowers, low and moderate-income borrowers and by gender of borrower. In addition, the bank examines its overall performance when compared to peer and its performance within each of the cities and towns within its assessment area.

MINORITY APPLICATION FLOW

A review of residential loan applications was conducted in order to determine the number of applications the bank received from minorities. From January 1, 1999, through November 27, 2000, the bank received 367 residential loan applications from within its assessment area. During this period, 17 applications, or 4.6 percent, were received from minorities. Refer to the following table for further details.

APPLICATION FLOW

Race	1999		2000-YTD		Total	
	#	%	#	%	#	%
American Indian	0	0.0	0	0.0	0	0.0
Asian	4	1.8	3	2.2	7	1.9
Black	2	0.8	0	0.0	2	0.5
Hispanic	1	0.4	0	0.0	1	0.3
Joint Race	4	1.8	2	1.4	6	1.6
Other	0	0.0	1	0.7	1	0.3
Total Minority	11	4.8	6	4.3	17	4.6
White	209	92.1	133	95.0	342	93.2
No Information	7	3.1	1	0.7	8	2.2
Total	227	100.0	140	100.0	367	100.0

According to 1990 Census Data, the bank's assessment area contained a total population of 260,360 individuals of whom 5.3 percent are minorities. The minority population is 0.1 percent American Indian, 2.3 percent Asian, 1.5 percent Black, 1.3 percent Hispanic and 0.1 percent Other minorities. In comparison to the demographics, the bank's percentage of total applications from minorities was slightly lower. It is assumed that competition from other institutions has played a role in this application rate.

Aggregate information indicated that, of the 16,741 HMDA-reportable applications received within the assessment area in 1999, 6.8 percent were from minorities: Winchester Savings Bank received 4.8 percent of its applications from minorities in 1999.

VII. Loss of Affordable Housing

The bank's development of credit products with flexible lending criteria has assisted low and moderate-income individuals to remain in their neighborhoods.

CONCLUSION (Lending Test)

Taking into account the number and amount of home mortgage and small business loans in its assessment area, Winchester Savings Bank has demonstrated an adequate responsiveness to the assessment area's credit needs. A majority of the bank's loans are made within its assessment area and reflect a reasonable distribution among the communities. The bank's lending also demonstrates a reasonable dispersion of loans among individuals of different income levels and businesses of different sizes. The bank has a good record of serving businesses with gross annual revenues of \$1 million or less. The institution has adequate innovative and flexible lending practices, which address the credit needs of low and moderate-income individuals and small businesses. Finally, the bank's fair lending performance was found to be satisfactory. Therefore, the institution's lending performance receives an overall rating of "Satisfactory".

INVESTMENT TEST

As defined under the revised CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low and moderate-income geographies. In recognition of the many legal limitations on bank investments, and the long-term nature and complexity of many community development investments, the CRA regulation allows some reasonable consideration for the entire bank portfolio of qualified investments; not just those made since the previous CRA examination.

Winchester Savings Bank has demonstrated good responsiveness to community housing and economic development needs. The majority of the contributions went to support non-profit organizations that assist low and moderate-income individuals and neighborhoods, and provide education, training, neighborhood revitalization, youth programs, and health and human services.

The bank's investment portfolio, as of September 30, 2000, totaled \$75.6 million and comprised 24.4 percent of total assets. The investments consist primarily of U.S. Government-sponsored securities, mortgage-backed securities and other marketable securities. Of these investments, \$2,187,655 is considered to be qualified. Due to the limited availability of qualified investments, consideration was given to some investments in towns within close geographic proximity to the assessment area .

Qualified Investments

The following investments are considered qualified under the investment test.

Federal National Mortgage Association (FNMA): On June 14, 2000, the bank purchased a FNMA mortgage backed security for \$103,200 maturing on June 1, 2030

with an interest rate of 7.5 percent. The original face amount of this security is \$104,000. This investment is a 30-year fixed rate loan that was originated within the bank's assessment area to a low-income borrower.

Federal National Mortgage Association (FNMA): On October 16, 2000, the bank purchased a FNMA mortgage backed security for \$98,353 maturing on October 1, 2030 with an interest rate of 7.5 percent. The original face amount of this security was \$97,500. This investment is a 30-year fixed rate loan that was originated within the bank's assessment area to a low-income borrower.

Federal National Mortgage Association (FNMA): On September 21, 2000, the bank purchased a FNMA mortgage backed security for \$515,622 maturing on September 1, 2030 with an interest rate of 8.0 percent. The original face amount of this security was \$505,788. This investment is a mortgage pool of 30-year fixed rate loans that originated in Massachusetts. This security includes five loans to moderate-income individuals and the properties are located within Middlesex County with one loan to a borrower within the bank's assessment area.

Federal National Mortgage Association (FNMA): On January 13, 1999, the bank purchased a FNMA mortgage backed security for \$1,470,480 maturing on December 1, 2029 with an interest rate of 7.5 percent. The original face amount of this security is \$1,472,321. The security purchased includes six loans to moderate-income individuals and the properties are located in towns just outside the assessment area .

Contributions

In response to the economic needs within its assessment area, the bank supports various organizations through charitable contributions. For calendar year 1999 and year-to-date November 30, 2000, Winchester Savings Bank granted \$27,284 in support of programs that promote community development, as defined under the revised CRA regulations. The following are examples of the bank's qualified contributions.

Consumer Credit Counseling: This non-profit organization provides financial counseling and educational programs for families and individuals that reside within the bank's assessment area. Services provided by this organization include seminars on budgeting, money management, and credit histories.

Winchester Housing Corporation: This corporation's goal is to provide affordable housing for the Winchester area. During 1999, this corporation provided four affordable condominium units for first time homebuyers.

Tri-City Community Action Program, Inc (Tri-CAP): This non-profit organization is a multi-service anti-poverty agency serving Malden, Medford, Everett and surrounding communities. Tri-CAP works through three agency divisions, Energy, Children and

Family Services, and Advocacy and Community Services Division, to help low-income individuals.

Tri-City Task Force for Homeless Families, Inc.: This is a non-profit organization that provides shelter and assistance to homeless families in Medford, Malden, Melrose Wakefield and Everett.

Woburn Council of Social Concerns, Inc: This organization supports the needs of low and moderate-income children, families and senior citizens by providing day care, parenting education, and emergency food assistance.

Winchester A Better Chance (ABC) Program: Through this program, low and moderate-income teenagers from inner city areas are provided with housing in Winchester, which enables them to pursue education at Winchester High School.

Mission of Deeds, Inc.: This organization provides furniture and household goods, without charge, to needy families.

CONCLUSION - Investment Test

The bank's level of investments is acceptable. Although not particularly complex, the level of donations made to organizations that serve low and moderate-income individuals reflects an adequate responsiveness to credit and community economic development needs. Consequently, the bank's overall performance is rated satisfactory.

SERVICE TEST

The Service Test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The following describes the institution's services.

The bank's systems for delivering retail-banking services are reasonably available to geographies and individuals of all income levels throughout its assessment area. Low cost checking and savings products are offered and customers may access account information via telephone, 24 hours per day, seven days a week, in addition to internet access and regular mail.

Officers of Winchester Savings Bank have addressed community credit needs through their limited involvement in community organizations within the assessment area. The type of products and services offered to consumers meets the needs of the communities served. The following details the institution's services.

Retail Banking Services

Winchester Savings Bank's main office is located in an upper-income census tract at 661 Main St. Winchester, Massachusetts. The bank operates two other full service branch offices located one each in Winchester (upper-income tract) and Woburn (middle-income tract). In addition, the bank maintains a limited branch at Winchester High School.

Branch hours are considered convenient and comparable to other local institutions, and services of the bank appear sufficient to meet the needs of the assessment area. Hours of operation vary with each full service office, but all offices have extended hours. The main office has extended hours on Fridays and the branches have extended hours on both Thursdays and Fridays. All full service offices are open on Saturday mornings. The high school branch is open on school days during lunchtime.

Branch Closing Policy

Winchester Savings Bank maintains a Branch Closing Policy, which outlines the bank's procedures for closing branches. The policy meets regulatory requirements concerning branch closing notification and policies.

Alternative Delivery Systems

Automated Teller Machines (ATMs) are located at all full service offices and are linked to the NYCE and CIRRUS networks. The bank is a member of SUM, the statewide alliance of banks, which do not invoke surcharges for non-bank customers.

The bank has a “Touch Tone Banking” service, which offers 24-hour access to customers’ accounts. Through this service, customers can check deposit and loan account information, transfer funds between accounts at the bank, obtain current rate and product information, and verify branch hours and locations.

Winchester Savings Bank’s Web Site: www.winchestersavings.com provides information on its products and services. It also allows the customer to transfer funds, check balances, and pay bills.

The bank participates in the Massachusetts Community Banking Council’s Basic Banking for Massachusetts program. Under this program, the bank offers low cost checking and savings accounts. The personal checking account has no minimum balance requirement, has a low monthly service fee of \$2.00, and allows 8 free checks per month. There is a charge of \$0.35 per check in excess of the first eight. The statement savings account has no minimum balance requirement and no monthly service charge.

The bank participates in the “Savings Makes Cents” program sponsored by the Massachusetts State Treasurer’s Office. At the present time, the bank is offering this program for the first to fifth grades at the Vincent Owens and Lynch Schools in Winchester.

Bank-by-mail services are available for most transactions and the bank provides pre-addressed envelopes and deposit and withdrawal tickets. The bank also offers wire transfers, direct deposit, and night depository services.

The bank participates in the Massachusetts Community and Banking Council’s Basic Banking Program.

Community Development Services

The CRA regulation defines a community development service as a service whose purpose is primarily community development and is related to the provision of financial services. Detailed below are Winchester Savings Bank’s community development services.

Woburn Council of Social Concerns: The President/CEO of the bank serves as co-chairman of the Century Campaign Steering Committee. A Trustee serves as a volunteer and also serves on the Fund Raising Committee of this organization that provides support for needy individuals in the Woburn area.

Mount Vernon House: A Trustee of the bank serves as an Investment Trustee for this organization which is a housing “safety net” for senior citizens in Winchester.

Winchester Rotary: The Senior Vice President and Treasurer of the bank serves on the charitable donations committee of this organization. This committee decides which charitable organization will receive donations from the Rotary.

Educational Seminars and Services

The bank held two annual homebuyer seminars in Woburn. These seminars were held on March 24, 1999 and March 21, 2000.

CONCLUSION - Service Test

As depicted above, Winchester Savings Bank's systems for delivering retail-banking services are accessible to geographies and individuals of different income levels in its assessment area, including those of low and moderate-income. The bank's trustees and officers have provided a marginal level of community development services. In addition, these services are limited to Winchester and Woburn. Therefore, the bank's service activities receive a rating of satisfactory.

APPENDIX A

SCOPE OF EXAMINATION

Winchester Savings Bank has one assessment area, which was reviewed using the examination procedures for large banks.

Winchester Savings Bank has branch locations in the Boston-MA (MSA).

The CRA evaluation included HMDA-reportable loans and small business loans. The time period used for HMDA-reportable loans was January 1, 1999 to November 27, 2000. The time period used for small business loans was January 1, 1999 to November 20, 2000.

The bank's qualified investments were also reviewed. In addition, the bank's systems for delivering retail banking services and the provision of community development services were considered.

Internal analysis generated by management was reviewed during the examination, as was comparative data for the assessment area obtained from CRA WIZ. The examination also included a review of the bank's Public File.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

WINCHESTER SAVINGS BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **NOVEMBER 29, 2000** has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.